100TH CONGRESS
1st Session
HOUSE OF REPRESENTATIVES
REPORT
100-276

TEXTILE AND APPAREL TRADE ACT OF 1987

AUGUST 6, 1987.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany H.R. 1154]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 1154) to remedy injury to the U.S. textile and apparel industries caused by increased imports, having considered the same, report favorably on the committee amendments and without recommendation on the bill.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 10, between lines 4 and 5 insert the following:

(c) EXCEPTIONS.—

(1) The limitations in this Act on the aggregate quantity of articles of textiles and textile products and nonrubber footwear that may be entered during any calendar year do not apply to articles of that kind that are the product of any insular possession of the United States if the articles are—

(A) exempt from duty under general headnote 3(a) of the Tariff Schedules of the United States (19 U.S.C. 1202); and

(B) manufactured or produced in such possession by individuals who are either—

(i) United States citizens;

(ii) United States nationals; or

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(iii) permanent residents of such possession in accordance with its laws.

(2) Notwithstanding any other provision of law, the aggregate quantity of sweaters that are—

(A) made of cotton, wool, or manmade fiber; and

(B) assembled in Guam from otherwise completed knit-to-shape component parts;

and that may be entered—

(i) during calendar year 1987, may not exceed 163,216 dozen; and

(ii) during any calendar year after 1987, may not exceed the aggregate quantity that is authorized to be entered under this paragraph during the preceding calendar year, increased by 1 percent.

Page 10, line 5, strike out (c) and insert (d).

BACKGROUND AND PURPOSE

Since 1974, import quotas on textiles and textile products made of cotton, wool, manmade fiber have been administered on a country-specific, product-specific basis in accordance with the Multifiber Arrangement (MFA). The MFA is an international agreement regulating trade in textiles which was negotiated under the auspices of the General Agreement on Tariffs and Trade (GATT). Approximately 40 countries are signatories to the MFA, which was most recently extended in July 1986 for an additional five years.

The MFA itself does not establish import restrictions; rather it establishes a framework of rules and procedures under which individual countries may impose quotas. Generally, import quotas are negotiated on a bilateral basis between the importing and exporting countries. The MFA authorizes importing countries to impose quotas unilaterally if imports of a particular product from a particular country are causing market disruption. There are currently 40 bilateral textile agreements in effect between the United States and foreign suppliers.

One of the basic objectives of the MFA is to provide exporting countries, particularly developing countries, with opportunities for expansion of trade in textiles while at the same time protecting importing countries from the effects of market disruption. The result is to provide for orderly growth in textiles trade.

Since 1980, however, U.S. imports of textiles and apparel have more than doubled, while domestic production has increased only minimally. In 1980, imports of textile mill products on a value basis totalled more than $2.4 billion [1] and on a volume basis totalled almost 3.3 billion square yard equivalents (SYEs).[2] In 1986, the value of textile imports reached almost $4.9 billion, and the volume almost 7.8 billion SYEs.

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[1] Imports for consumption in SIC 22 (c.i.f., duty-paid value), as provided by the U.S. International Trade Commission, based on official Census data.

[2] Provided by the U.S. Department of Commerce, Office of Textiles and Apparel.

Similarly, imports of apparel in 1980 were slightly more than $8.5 billion, reaching almost 2.9 billion SYEs. In 1986, apparel imports jumped to more than $23 billion, and almost 5.8 billion SYEs.

With exports of both textiles and apparel dropping off during this period—in part due to overvaluation of the U.S. dollar—the trade balance in these sectors deteriorated dramatically. The trade balance in textile mill products went from a $55 million surplus in 1980 to a $3.2 billion deficit in 1986. In apparel, the trade deficit tripled from $6.9 billion in 1980 to $21.8 billion in 1986.

The U.S. fiber, textile and apparel industries together form one of our nation's largest industrial employers, employing one of every ten Americans in manufacturing. Furthermore, the fiber/textile/apparel complex is the largest manufacturing employer of women and minority workers. Last year, slightly over 1,810,000 Americans were employment in the textile and apparel industries—down from 2,111,000 in 1980. The seasonally adjusted employment level in May 1987 stood at 726,000 employed in the textile industry (of which 631,000 are production workers) and 1,109,000 in the apparel industry (of which 930,000 are production workers).[3]

In light of the increases in imports of textiles and footwear, and the condition of firms and workers in these domestic industries, the 99th Congress considered and passed a bill imposing country-specific import quotas on textiles and textile products, as well as global quotas on nonrubber footwear imports. This bill, H.R. 1562, was vetoed by President Reagan on December 17, 1985. On August 6, 1986, the House of Representatives reconsidered the bill and voted to sustain the President's veto.

Members of the Congressional Textile Caucus considered a different legislative approach to protecting the interests of the domestic industries, and in the 100th Congress, introduced H.R. 1154, the Textile and Apparel Trade Act of 1987.

The purpose of the bill is to remedy injury to the U.S. textile and apparel and nonrubber footwear industries caused by increased imports. Specifically, the bill provides for global import quotas on a product-specific basis, in order to ensure orderly trade in textiles and footwear, and to preserve U.S. jobs in these sectors.

COMMITTEE ACTION

H.R. 1154 was introduced on February 19, 1987 by Congressman Butler Derrick for himself and 87 cosponsors. The bill was referred to the Committee on Ways and Means and, on February 27, was referred to the Subcommittee on Trade.

The Subcommittee held three days of public hearings on the bill. On May 7, the Subcommittee received testimony from a panel of six Members of Congress who are all members of the Textile Caucus and cosponsors of the legislation. These Members presented their views as to why enactment of H.R. 1154 is necessary. The Subcommittee also received testimony from one state and one local public official who presented divergent views on the impact of this bill on their respective regions of the country. The Commissioner of

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[3] Textile statistics based on employment in SIC 22; apparel statistics based on employment in SIC 23. All statistics provided to the Subcommittee on June 18, 1987 by the Bureau of Labor Statistics, U.S. Department of Labor.

Public Lands for the State of Washington testified against enactment of H.R. 1154, while the Mayor of Fall River, Massachusetts testified for its enactment.

From the private sector, a panel of witnesses representing the Fiber, Fabric and Apparel Coalition for Trade (FFACT) and the Footwear Industries of America testified in strong support of the bill. The last panel of witnesses, representatives of the Retail Industry Trade Action Coalition, Footwear Retailers of America, and National Shoe Retailers Association, in contrast testified in strong opposition to the bill.

The second day of hearings, May 18, began with testimony from the Administration. Deputy U.S. Trade Representative Michael B. Smith and Under Secretary of Commerce for International Trade Bruce Smart testified as to why the Administration opposes the bill. The remainder of the day, the Subcommittee heard from members of the private sector with differing views on the legislation. A panel of representatives from the domestic apparel industry included Levi Strauss, opposing H.R. 1154; the Northwest Apparel and Textile Association, opposing the bill; the Atlantic Apparel Contractors Association, supporting the bill; and the United States Apparel Industry Council, urging special treatment of apparel imports under item 807.00 of the Tariff Schedules. The next panel of witnesses all opposed H.R. 1154, and included representatives of the American Association of Exporters and Importers (both the Textile and Apparel Group and the Footwear Group); the International Footwear Association; Florsheim Shoes Company; and the National Fashion Accessories Association. The President of the International Ladies Garment Workers Union then testified in support of H.R. 1154. Finally, a member of the International Longshoremen's and Warehousemen's Union, Local 23, Tacoma, Washington, and the Director of Trade Development for the Port of Long Beach, California, testified against enactment of the bill.

The third and final day of hearings, June 2, opened with testimony from the Acting Director of the Congressional Budget Office (CBO) and a Project Director from the Office of Technology Assessment (OTA). In November 1986, the CBO issued a report on the effects of import protection in revitalizing domestic industries. This study was conducted by CBO at the request of the Subcommittee on Trade, and focused on four sectors as case studies: textile and apparel, steel, footwear, and automobiles. The Acting Director testified on the findings of this study with respect to the textile and apparel and footwear industries.

In April 1987, the OTA issued a special report on the impact of technology on the development of the U.S. textile and apparel industry. This study was conducted as part of a larger OTA project, "Technology and the American Economic Transition", analyzing the effects of technological change and international trade on the structure of the domestic economy and options for public policy. The project director for this project presented OTA's findings with respect to the textile and apparel industries.

Finally, the Subcommittee received testimony from Members of Congress who had not previously testified on the bill. In addition to several members of the Textile Caucus, the Subcommittee heard from the delegate from Guam who raised a particular concern re-

garding the impact of the legislation on U.S. insular possessions, and proposed an amendment to exempt certain products of insular possessions. (This amendment was subsequently adopted by the Subcommittee during its markup on July 14).

During the course of the hearings, Chairman Gibbons voiced concern over discrepancies in various statistics presented to the Subcommittee, particularly with regard to import penetration ratios. In an effort to obtain a better understanding of the various methods of measuring import penetration, the Subcommittee requested advice on this subject from the Congressional Budget Office, the Congressional Research Service, and the International Trade Commission. The Subcommittee received a memorandum from the CBO analyst on May 27, as well as a subsequent letter from the Acting Director of CBO on June 29 (following the Acting Director's testimony before the Subcommittee). The Subcommittee received a memorandum from the Congressional Research Service on May 29. In response to a June 11 written request from the Subcommittee, the ITC provided a letter and accompanying memorandum on July 10. All of these documents were distributed to Subcommittree Members and included in the legislative record for H.R. 1154.

In addition to statements of witnesses appearing at the three days of hearings, the Subcommittee received numerous written statements from interested parties which have been included as part of the hearing record. In particular, the Subcommittee notes that it received a letter on March 13 from U.S. Trade Representative Clayton Yeutter and Secretary of Commerce Malcolm Baldrige outlining the Administration's position in opposition to H.R. 1154. On July 14, as the Subcommittee met to mark up H.R. 1154, Ambassador Yeutter sent another letter to the Subcommittee emphasizing the Administration's vigorous objections to the bill.

Various individuals and organizations submitted written statements for the record on H.R. 1154. Numerous representatives of foreign governments also presented their views in writing on the legislation. In light of the particular impact which H.R. 1154 will have on the workers and businesses in foreign countries, as well as on the government-to-government relations between our countries, Subcommittee Chairman Gibbons felt it was appropriate for the written views of these foreign governments also to be included as part of the hearing record.

On July 14, the Subcommittee on Trade met to mark up H.R. 1154. Chairman Gibbons offered an amendment to exempt from the bill certain products of U.S. insular possessions, as suggested by Representative Blaz, the delegate from Guam. The amendment was agreed to without objection. Congressman Jenkins then moved that the Subcommittee order the bill favorably reported to the Full Committee as amended. The motion was agreed to by voice vote. The Subcommittee filed its report on the bill as amended on July 22.

On July 30, the Chairman of the Committee received a letter from Ambassador Clayton Yeutter emphasizing once again the Administration's objections to H.R. 1154. Copies of the letter were distributed to all members of the Committee.

On August 3, the Committee on Ways and Means considered H.R. 1154 in markup session and ordered the bill as amended reported with no recommendation to the full House by a voice vote.

COMPARISON WITH PRESENT LAW, SECTION-BY-SECTION ANALYSIS, AND JUSTIFICATION

Section 1. Short title

Section 1 provides that this Act may be cited as the Textile and Apparel Trade Act of 1987.

Section 2. Policy

Present law

No provision.

Explanation of provision

Section 2 states that the policy of the bill is to relate growth of textile and apparel imports to growth of the domestic market, as well as to maintain a viable U.S. nonrubber footwear industry.

Justification

Numerous Administrations have acknowledged the importance of the textile and apparel sector in our economy and the need to relate growth of imports to the rate of growth in the domestic market. In light of the rapid growth of imports of textiles and textile products in recent years, and the injury which has resulted to domestic producers and workers, sponsors of H.R. 1154 believe it is necessary to embody this policy into U.S. law.

Furthermore, the sponsors believe the viability of a domestic nonrubber footwear industry is in jeopardy, as import penetration continues to escalate and the condition of domestic producers continues to deteriorate.

Section 3. Findings and determinations

Present law

Under Article XIX of the GATT, a country may take action to restrict imports if such product is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers. Restrictions may be imposed to the extent and for such time as may be necessary to prevent or remedy such injury.

Sections 201–203 of the Trade Act of 1974 contain the provisions of U.S. law which comprise our domestic counterpart to Article XIX of the GATT. Under section 201, the International Trade Commission is responsible for conducting a factfinding investigation and making a determination as to whether imports are causing or threatening serious injury. Such an investigation is to be initiated either upon request of the President, the USTR, Senate Finance Committee, House Ways and Means Committee, motion of the ITC, or petition filed by representatives of an industry.

Explanation of provision

Section 3 sets forth certain Congressional findings concerning the current levels of imports of textiles and textile products and import growth since 1980; the impact of cotton textile imports, wool textile imports, and manmade fiber imports on those domestic industries; the size of the textile and clothing trade deficit; import growth relative to domestic market growth; increased import penetration; and the disruptive effects of increased imports on companies, workers, and communities.

Section 3 then states that such factors are causing serious damage to domestic producers and that market disruption exists. It further states that actions taken by the United States under the MFA have failed to avoid disruptive effects in the textiles and textiles products markets.

This section then sets forth certain findings concerning current levels of imports of nonrubber footwear, import growth, increased import penetration, domestic production, employment, and plant closings.

Finally, section 3 includes a Congressional determination that imports have caused or threatened serious injury to domestic producers of textile products and domestic producers of nonrubber footwear, within the meaning of Article XIX of the GATT.

Justification

Article XIX of the GATT explicitly authorizes a country to restrain imports when, as a result of unforeseen developments and of the effect of GATT obligations, increased imports have caused serious injury to the domestic industries producing such products. The GATT does not specify who must make such an injury determination, but does specify the conditions under which escape clause action may be taken. Although existing procedures under U.S. law (as set forth in section 201 of the Trade Act of 1974) provide for injury determinations to be made by the U.S. International Trade Commission on the basis of a factfinding investigation, such procedures are not necessary for the import relief to be consistent with GATT Article XIX. There must, however, exist credible evidence of the substantive conditions which justify the action.

Section 4(a). Limits on imports of textiles and textile products

Present law

Section 204 of the Agricultural Act of 1956 authorizes the President to negotiate restrictions on imports of textiles or textile products. Since 1974, import quotas on textiles and textile products have been set on a product-specific, country-specific basis pursuant to the MFA. Bilateral agreements are in effect with 40 textile-exporting countries. Approximately 141 3-digit product categories and approximately 40 additional subcategories currently exist for textiles and textile products, although not all bilateral agreements specify quota limits for all product categories.

Explanation of provision

Section 4 mandates a separate global import quota for each product category of textiles and textile products. Imports entering in

1987 in each product category are limited to a 1 percent increase over 1986 levels of imports in such product category. Quotas increase annually by 1 percent over the preceding year's level with respect to each category. Quotas apply to products from any and all foreign countries.

Quotas are only imposed on those textile products for which there is an identified product "category", as defined under section 8 of the bill. The Committee believes that the bill would thus mandate more than 180 separate global quotas on textile products. Imports of textile products for which there is no product category—such as, for example, pure silk garments—would not be affected by the bill. Furthermore, imports of manufactured products which may contain textiles, but which are not currently subject to the textile import program—such as toys or dolls—are also not affected by the bill.

Justification

In the view of the bill's sponsors, the current system of setting textile import quotas on individual product categories on a country-specific basis is inadequate in preventing market disruption. It is a reactionary system which is set in motion only after market disruption occurs with respect to imports from a new source. As quotas are imposed on particular sources, incentives are created for other unrestrained foreign suppliers to increase exports of such products, and for the countries subject to restraints to shift to increased exports of other unrestrained textile products.

The MFA and the bilateral system were designed to provide exporting countries with reasonable access to the markets of developed nations while at the same time allowing those nations to safeguard against injury to their domestic indusries. A system of bilateral restraints, based on historical trading patterns, would protect the positions of established sources of supply yet protect domestic industries from disruption from major sources of imports. According to the bill's sponsors, the bilateral system, however, has not achieved this balance of interests, in the face of rapid and substantial shifts among different supplier countries and among types of textile products. Most of the market disruption which has occured in recent years has been the result of unrestrained countries and unrestrained products.

The global quotas provided for under section 4 of the bill would change the current system by setting comprehensive limits on imports of textiles and textile products from any foreign supplier, no matter what the country of origin. In addition to providing comprehensive protection, the global nature of the quotas is designed to be consistent with the GATT requirement that import restrictions be nondiscriminatory.

The bill provides for one percent growth of the global quotas to provide foreign suppliers with reasonable opportunity for export expansion. One percent represents the long-term average annual growth of the U.S. market for textiles and apparel.

The textile quotas, effective for 1987 imports, are based on actual 1986 levels of trade, in order to minimize disruption of existing trade patterns, as well as to minimize the amount of compensation that would be owed to GATT trading partners. Furthermore,

quotas set at levels lower than actual 1986 trade might force an abrogation of U.S. obligations under existing bilateral textile agreements.

Section 4(b). Limits on imports of nonrubber footwear

Present law

No import quotas currently exist for nonrubber footwear. From 1977 to 1981, quantitative restrictions were in place pursuant to orderly marketing agreements with Korea and Taiwan, as a result of a section 201 import relief proceeding.

Explanation of provision

Section 4 mandates global import quotas for each of 15 product categories for nonrubber footwear products. Quota levels are fixed at 1986 levels of imports. This section further mandates that, within each product category, imports of low-priced nonrubber footwear (customs value of $2.50 or less per pair) may not exceed their 1986 levels. Quotas apply to products from any and all foreign countries.

Justification

The sponsors of the bill believe this provision is necessary in view of the Administration's unwillingness to provide relief to the U.S. footwear industry. Despite a July 1985 finding of serious injury and a recommendation of import quotas by the International Trade Commission, President Reagan refused to provide any import relief. Since July 1985, domestic footwear has continued to lose market share to imports. Import penetration of nonrubber footwear reached 81% in 1986.

The footwear quotas are fixed at 1986 levels in order to minimize disruption of existing trade patterns and to minimize the amount of compensation which might be owed GATT trading partners. No provision is made for growth of the footwear quotas in light of the record levels already reached by imports. If there is any expansion of the U.S. footwear market in the future, such new market opportunities should be reserved for domestic producers.

In addition to quotas for each of the fifteen designated footwear categories, separate quotas are imposed for low-cost footwear imports in each category. This provision is intended to ensure a continued supply of low-cost footwear imports, in recognition of the fact that there is limited domestic supply available of footwear in the lower price range. Since 1977, the U.S. government has been monitoring nonrubber footwear imports by value. Imports valued at $2.50 or less is one category which has been subject to monitoring. In 1986, 168 million pairs of non-rubber footwear valued at $2.50 or less were imported, out of a total 940 million pairs of imports.

Section 4(c). Exceptions

Present law

Imports of textiles and textile products from U.S. insular possessions are generally not subject to quotas, and are subject to duties as provided for under general headnote 3(a) of the Tariff Schedules.

Explanation of provision

Section 4(c) provides a limited exception from the bill for products of U.S. insular products if such products meet two criteria: (1) they qualify for duty-free treatment under headnote 3(a), and (2) they are manufactured or produced in the insular possession by U.S. citizens, U.S. nationals, or permanent residents of the possession.

Second, section 4(c) provides a specific limit for the aggregate quantity of certain cotton, wool, or manmade fiber sweaters assembled in Guam which may be imported into the United States. The quota limit for 1987 is set at 163,216 dozen sweaters, and the quota is increased by one percent each year thereafter.

Justification

U.S. policy has long recognized the special relationship which exists between the United States and its insular possessions. General Headnote 3(a) of the Tariff Schedules establishes special rules under which products of U.S. insular possessions may receive duty-free treatment. It is the view of the Commttee that this principle should be extended to apply to import quotas as well. Certain concerns were raised, however, with respect to manufacturing operations located in insular possessions which do not employ U.S. citizens or local labor, but rather employ alien workers. One of the fundamental purposes of U.S. policy with respect to insular possessions is to encourage the economic development and well-being of their communities and workforce. One of the purposes of this bill is to protect U.S. jobs in the textile and footwear industries. To the extent that textile products or footwear are manufactured by U.S. citizens, U.S. nationals, or permanent residents of the possessions, these two purposes are compatible and the products should not be treated as foreign goods subject to quote.

Section 4(d). Authority to issue regulations

Present law

Section 204 of the Agricultural Act of 1956 authorizes the President to issue regulations governing the entry of restricted products. This authority has been delegated by Executive Order 12475 to the Secretary of the Treasury in accordance with policy guidance provided by the Committee for the Implementation of Textile Agreements.

Explanation of provision

Section 4 requires the Secretary of Commerce to prescribe regulations to administer this Act, including rules to ensure the "reasonable spacing of imports over the calendar year."

Justification

The Committee for the Implementation of Textile Agreements (CITA) has been established under Executive Order 12475 to administer the textile quota program. The Deputy Assistant Secretary of Commerce for Textiles and Apparel acts as the chair of CITA, and Office of Textile and Apparel in the International Trade Administration of the Department of Commerce provides support service for CITA. In view of the already substantial role which the Department of Commerce plays in regulating textile imports, the bill's sponsors believe it is logical to vest the regulatory authority under this bill in the Secretary of Commerce.

This provision is not to be interpreted, however, as any indication of dissatisfaction with the current system under which regulations are promulgated by the Secretary of Treasury. Indeed, the Committee would expect the Secretary of Commerce to consult with the Secretary of Treasury and the Commissioner of Customs prior to promulgation of any regulations to ensure the efficient enforcement of this Act, consistent with other rules and regulations governing the entry of imports.

The provision specifically requires the Secretary to issue rules to ensure the reasonable spacing of imports over the calendar year. According to the bill's sponsors, this requirement is to allow importers reasonable access to imports at various periods throughout the year, as well as to prevent surges of imports all at once at the beginning of a quota year.

Section 5. Tariff compensation

Present law

Section 123 of the Trade Act of 1974 authorizes the President to enter into trade agreements for the purpose of granting new concessions as compensation for import restrictions imposed under section 203. Any modification or continuance of existing tariff rates may be implemented by Presidential proclamation.

Any tariff reduction may not, however, result in a rate which is less than 70 percent of existing rates. Section 123(b)(4) provides for concessions to be reduced and terminated according to substantially the same time schedule as applicable to the import relief (not to exceed 5 years). Before entering into any compensation agreement, the President is required to consider whether the foreign country has violated trade concessions of benefit to the United States and such violation has not been adequately offset by the action of the United States or by such foreign country.

General tariff-cutting negotiating authority does not exist under present law. Section 123 consequently provides the only compensation authority in existence.

Explanation of provision

Section 5 provides explicit compensation authority similar to that of section 123 of the Trade Act, to grant tariff concessions on textiles, textile products, and footwear for the import restrictions imposed under this Act.

Tariff reductions, however, cannot result in rates lower than 90 percent of existing tariff rates for textiles, textile products and

nonrubber footwear. Also, tariff reductions must be phased in over 5 equal annual stages. Before entering into any compensation agreement, the President is similarly to consider whether the foreign country has violated trade concessions of benefit to the United States, and such violation has not been adequately offset.

Furthermore, the bill provides that the President is prohibited from negotiating tariff reductions for textiles, textile products or nonrubber footwear except as provided under this section, and may not decrease, or propose any decrease in such tariffs by any means, including an implementing bill under section 151 of the Trade Act of 1974.

Justification

Under the GATT, if a nation imposes import restrictions it must compensate trading partners for the amount of trade adversely affected by the restrictions. Section 5 of the bill specifically provides the President with the authority to negotiate tariff concessions on textiles, textile products, and nonrubber footwear as compensation for the quotas mandated by the bill.

Since the quotas are based on 1986 levels of trade, the costs of compensation should not be substantial. According to the bill's sponsors, given historical patterns of trade and recent shifts in exchange rates, tariff concessions of up to 10% of existing rates should provide ample flexibility to the President to meet U.S. obligations.

The factors to be considered and the staging requirement parallel the provisions of present law authorizing compensation, under section 123 of the Trade Act of 1974.

The prohibition against any tariff reductions on textiles, textile products, and nonrubber footwear, except as provided under this section, is based on a recognition that tariff levels and quantitative restrictions each affect the other. The provisions of the bill are designed to maintain a balance between orderly trade and market access. According to the bill's sponsors, changes in tariff levels under other provisions of law or in furtherance of other policy objectives may disrupt the balance so carefully crafted under this bill, and hinder the effectiveness of its provisions.

Section 6. Annual report

Present law

No provision. However, section 163(a) of the Trade Act of 1974 requires the President to submit to Congress an annual report on the trade agreements program, which includes textile agreements.

Explanation of provision

Not later than March 15, 1988, and March 15 each year thereafter, the President is required to submit to Congress a report on the administration of this Act. Such report must include detailed information about the implementation and operation of the quotas established under section 4.

Justification

The Committee recognizes and is sensitive to the administrative burdens of implementing the current textile import program, and of the administrative burdens that may arise out of the mandates of this legislation. The requirement of an annual report on the operation of the new quota program should assist the Congress in maintaining oversight of the program, in monitoring its effectiveness and in understanding any problems which might arise in its administration.

Section 7. Review

Present law

No provision.

Explanation of provision

Section 7 requires the Secretary of Commerce, ten years after date of enactment, to commence a review of the operation of the Act. It specifically requires the Secretary to consult representatives of workers and companies in the textile and textile products and nonrubber footwear industries, the USTR, the Secretary of Labor, and other appropriate government officials. The results of the review must be submitted to Congress within six months.

Justification

Article XIX of the GATT only authorizes import restrictions to be imposed on a temporary basis, so as to prevent or remedy serious injury to the domestic industry. This section mandates a review of the import restrictions after ten years, in recognition of the fact that trade and economic circumstances change over time, and that ten years is a reasonable period of time to expect adjustment by the domestic industry. It is the expectation of the Committee that, should conditions in the domestic textile and footwear industries no longer justify imposition of the quota restrictions in this bill, that the Congres would terminate the quota restrictions.

Section 8. Definitions

Present law

No provision.

Explanation of provision

Section 8 provides definitions for the following nine terms used in the Act: (1) textiles and textile products; (2) nonrubber footwear; (3) category; (4) nonrubber footwear category; (5) low-price nonrubber footwear; (6) country; (7) duty; (8) existing; and (9) entered. Most of these definitions are consistent with current practice and usage.

It should be noted, however, that the term "category" includes not only each three-digit category currently used by the Commerce Department in administering the textile import program, but also each subdivision of such categories that has a specific limit with respect to imports from any country. The term further includes a new category consisting of certain manmade fiber products not oth-

erwise subject to a category classification under the current system.

Section 8 establishes fifteen categories under the term "nonrubber footwear category" which generally correspond to categories currently used to monitor and classify imports of footwear.

Justification

The term "category" is defined in a way that builds on existing textile category classifications, so as to minimize the administrative burden of enforcing the global quotas. Similarly, the definition of "nonrubber footwear category" is based on characteristics of sex, age, material, and usage, as commonly understood and used in current practice.

Section 9. Effective date

Present law

No provision.

Explanation of provision

Section 9 states that the provisions of the Act shall apply to all textiles and textile products and nonrubber footwear entered on and after date of enactment. It further provides for reduction of the applicable 1988 quotas to account for any excess imports entered in 1987.

Justification

In order to ensure that all of the current year's imports will be subject to the quota provisions, this section provides for the deduction from 1988 quota levels of any excessive imports entering in 1987. This provision is necessary in light of the uncertainty as to exactly what the date of enactment of this legislation will be.

BUDGET EFFECTS OF THE BILL

In compliance with clause 7(a) of rule XIII and with clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives, the Committee states that H.R. 1154, as reported, does not provide new budget authority or any new or increased tax expenditures.

In compliance with clause 7(a) of rule XIII and with clause 2(l)(3)(B) and (C) of rule XI of the House of Representatives, the Committee states it agrees with the information furnished by the Congressional Budget Office on H.R. 1154, as reported, which is provided below:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, August 4, 1987.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, DC

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared this cost estimate of H.R. 1154, the Textile and Apparel Trade Act of 1987, as ordered reported by the Committee on Ways and Means.

This bill would establish a quota on imported textiles, apparel and nonrubber footwear from all foreign countries. The aggregate quantity of textiles and apparel would be restricted to an annual growth of 1 percent from the level imported in 1986. Annual nonrubber footwear imports would be restricted to 1986 levels.

Because the bill would restrict imports, it would reduce the level of customs duties. The table below shows the estimated revenue loss from H.R. 1154.

[By fiscal year, in billions of dollars]

	1988	1989	1990	1991	1992
Customs duty effect	−.462	−.601	−.925	−1.328	−1.827
Total revenue effect (After offsetting income and payroll tax changes)	−.346	−.451	−.694	−.966	−1.370

Sincerely,

EDWARD M. GRAMLICH,
Acting Director.

VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote of the Committee in reporting the bill: H.R. 1154 was ordered reported without recommendation by the Committee on Ways and Means with one amendment by a voice vote.

OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee concludes, on the basis of hearing testimony, statements for the record, review of the operation of the current textile import program and review of recent conditions in the U.S. market for textiles, apparel, and footwear, that legislative action may be appropriate to remedy the injury to U.S. textile, apparel and footwear industries caused by increased imports.

With respect to clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, no oversight findings or recommendations have been submitted during this Congress to the Committee on Ways and Means by the Committee on Government Operations with respect to the subject of H.R. 1154.

INFLATIONARY IMPACT STATEMENT

With respect to clause 2(l)(4) of rule XI of the House of Representatives, the Committee states that H.R. 1154 is likely to have a negligible inflationary impact on prices and costs in the operation of the general economy, based on information provided by the Congressional Budget Office.

ADDITIONAL VIEW OF CONGRESSMAN SAM M. GIBBONS

I would like to pose a question to the U.S. textile industry: When will this industry stop coming to the Federal government asking for more and more and more government intervention in the marketplace? Is this never-ending march on Washington a sign that the U.S. textile industry is hopelessly uncompetitive without Government support?

In the 1950's, the textile industry sought short-term restraints on cotton textile imports from Japan. And the industry got them. In the 1960's, the plea for protection grew to demand restrictions on imports from other Asian countries, and to demand a special international agreement regulating trade in cotton textiles. And they got all that. But that still wasn't enough protection for the industry, and in the 1970's we expanded the international agreement to cover not only cotton textiles but wool and man-made fibers as well. The Multifiber Arrangement, which was supposed to be a "temporary" measure, was then extended again and again—in 1977, in 1981, and in 1986. The most recent extension, last year, expanded the protection even further, covering virtually all fibers, and extending the period for unilateral action.

Meanwhile, the U.S. Government has been imposing new and stricter import quotas on textile products, right and left. We have in place, today, approximately 1,400 import quotas on textiles, apparel, and products made of textiles. We restrict imports from more than 40 different nations, from Bangladesh to Uruguay. And, we maintain higher tariffs on textile products than most other goods: 18 percent compared to an average of 4 percent for all other goods.

But, no matter how much the international community or the U.S. Government does to protect this industry, it's never enough to satisfy them.

The industry now beseeches us to enact legislation which would provide it with even more sweeping import protection than it already enjoys: permanent quota protection from all the world. H.R. 1154 would grant the U.S. textile and footwear industries protection from all foreign competition, indefinitely—no matter where it comes from, no matter what happens to domestic supply or to domestic demand. And such special protection is to be granted without any kind of quid pro quo. At least when we bailed out Chrysler we asked for some commitment as to how it planned to make itself competitive again.

Not so with the textile and shoe industries. This bill would insulate textile and footwear companies from global competition regardless of whether they even try to get competitive.

H.R. 1154 would give the textile and footwear industries a free ride—but at whose expense? The consumer. The taxpayer. The American family. Especially the poor. The inflexible regime of

more than 200 global quotas under this bill will raise the prices of shoes and clothing sold in this country, restrict consumer choice, and cause certain items to disappear from the shelves altogether. The rich may be able to afford the increased prices; but the poor won't. And everyone suffers when goods are just plain unavailable.

What is the justification for this legislation? "Serious injury caused by imports." Well, let's take a closer look at this alleged "serious injury."

In 1986, the U.S. textile industry made profits of over $2 billion—a 67 percent increase over 1985 profits, and its highest level in a decade. While the average U.S. manufacturing profit as a percentage of net sales was 3.7 percent last year, the U.S. textile industry profit was 4.0 percent. As a percentage of equity, the U.S. manufacturing average was 9.6 percent, while the textile industry earned 14.5 percent. Whether you look at profits in absolute dollars, as a percent of sales or a percent of equity, the domestic textile industry last year earned its highest profits in an entire decade and performed better than most of the rest of the manufacturing sector.

Domestic production, exports, capacity, and capacity utilization were all up in 1986. Domestic production of textiles rose 10 percent last year, while domestic production of apparel rose 3 percent. Textile and apparel exports increased 12 percent in 1986. Productive capacity in the textile industry continued to increase at its long-term rate of 1 percent, and capacity utilitzation averaged 91.4 percent in 1986—its highest rate in a decade. During the first quarter of 1987, capacity utilization climbed still further, to 95 percent.

Many different numbers—some as low as 7 percent, some as high as 55 percent—have been cited as representing the import penetration ratios for these industries. During the course of the Subcommittee on Trade's deliberations on this bill, I tried to clarify for the record the reasons for the wide discrepancies between, in particular, the U.S. Government statistics and the industry-generated statistics. After careful analysis of all the numbers, and review of advice from CBO, CRS, and ITC, I am even more firmly convinced that the import penetration is nowhere close to 50 percent. The most accurate, and commonly accepted method of counting is to compare apples with apples—not apples with oranges. And when you use the commonly accepted methods, import penetration in the textile market is at most 24 percent, and import penetration in the apparel market is at most 34 percent.

Although the long-term trend in employment in the textile and apparel industries has been downward, the past year has also seen some improvements in the employment picture. In 1986, employment measured in man-hours rose 4.6 percent for the textile industry and held steady for the apparel industry. During the first six months of 1987, average man-hours worked increased 6.5 percent for the textile industry, and 0.6 percent for the apparel industry. In terms of total workers, during the first six months of this year employment in the textile industry increased 3.3 percent—a gain of 23,000 jobs.

As to the long-term decline in employment, I must point out that much, if not most, of this decline has been the result of healthy competitive forces—increased efficiency and rising productivity.

Modernization and mechanization have been reducing the number of workers it takes to manufacture the same amount of textile product. Although these types of changes can cause dislocation and hardship to the particular workers whose jobs are being eliminated, they are the signs of a healthy, competitive industry which is adjusting to changing conditions of technology and competition.

In short, there is no solid evidence of "serious injury caused by increased imports" of textile products.

I will acknowledge that the apparel industry has been impacted by import competition to a greater extent than the textile industry. But H.R. 1154 will merely help the apparel industry shoot itself in the foot. The rigid quotas on fabric imports established under the bill reduce the availability of the very materials which U.S. apparel manufacturers need to compete effectively with foreign apparel manufacturers. Numerous U.S. apparel companies complain of domestic fabric shortages, the unwillingness of many domestic mills to supply short runs or specialized orders, as well as the problems of access to imported fabric, due to existing quotas. These conditions make it very difficult for apparel producers to be competitive and have unfortunately forced some manufacturers to move offshore. H.R. 1154 would make it even more difficult than it already is for U.S. apparel manufacturers to be competitive.

H.R. 1154 is bad economics; it is bad politics; and it is bad diplomacy. It stifles the very competitive forces which are needed to move our economy and the global economy forward. It builds barriers around the United States at a time when we are trying to convince other countries of the need to open their markets to us. It undermines the legitimacy of the goals we have set for ourselves and the world trading community in the new round of GATT negotiations. And it makes the Congress, with all its tough talk against unfair trade barriers, look like a hollow hypocrite.

I can't think of a single good reason to support this bill. I urge my colleagues to vote against H.R. 1154.

SAM M. GIBBONS.

ADDITIONAL VIEWS OF REPRESENTATIVES PHIL CRANE, BILL GRADISON, BILL FRENZEL, HANK BROWN, ROD CHANDLER, AND BILL ARCHER

Once again we are asked to support highly protectionist textile and footwear quota legislation because the industry is suffering its "last gasp". It is claimed that the only solution is for the heavy hand of government to sweep in, regulate trade, and protect textiles and footwear from any form of competition. We see no basis in fact for the dire predictions of demise for these two industries and remain strongly opposed to H.R. 1154, the Textile and Apparel Trade Act of 1987.

Since 1948, industry spokesmen have cried out for ever-excalating levels of protection, claiming that textile and apparel mills would close their doors and jobs would be lost—that catastrophe was imminent—without immediate government intervention to stop the flow of imports. Today, the textile industry is the most protected in our history, with a myraid of nearly 1400 quotas regulating more than 80 percent of all textile and apparel imports. Just last year, the Multifiber Arrangement (MFA) was expanded to cover fibers such as silk blends, ramie, jute, linen and other fibers, and bilateral negotiations with all major suppliers will limit their aggregate growth to less than one percent annually. Yet the industry continues to cry wolf and to beg for further relief.

Let's look at this so-called "dying" industry. According to the Federal Reserve and industry analysts, 1987 was a banner year for the textile industry. Between the first quarters of 1985 and 1987, textile production increased by 20 percent; capacity utilization has increased steadily from 78 percent in 1985 to 96 percent in April of this year. Apparel production increased by 19 percent over the last six years and capacity utilization climbed to 90 percent in 1987. Total industry output reached its highest point in history in April of this year.

The textile industry also enjoys greater profitability than manufacturing as a whole, with a 24.6 percent return on manufacturing's 14.9 percent. Textile industry profits rose 67 percent in 1986.

It is certainly true that older and outdated plants have been closing, some in small towns that are largely dependent on perhaps one mill for their employment and tax base. Modernization and adjustment to meet competition, both from abroad and at home, have been hard in some instances. This has been true for other industries as well—auto, steel, farm equipment, electronics. However, textile and apparel manufacturing employment has been steadily rising since the low periods of the late 1970's and early 1980's. Total industry employment rose by 27,800 jobs between May 1986 and May 1987.

Unemployment in the textile and apparel industry in May of this year was 2.9 percent, the lowest level since 1968. Furthermore, un-

employment rates in the leading textile states remain below the national average of 6.6 percent. For example, North Carolina's rate for the first quarter of 1987 was 4.9 percent, South Carolina's 6.4 percent and Georgia's 5.8 percent. These statistics—along with those indicating that the industry itself has invested hundreds of millions to improve and expand its production in these key states—shows that the textile industry nationwide is alive and well. It also shows that states with extensive textile production have attracted new industries and have put their economies on a more solid footing, creating a healthy job market.

Yet, we are asked to support H.R. 1154 as emergency legislation, desperately needed by a desperate industry. No one but the federal government can help! Nothing but restrictive global quotas will do! In truth, it is a bill that would cartelize the textile and footwear industries to the detriment of consumers, retailers and workers in other industries. It has been estimated that consumer costs could escalate by 20 percent and that 52,000 jobs could be lost in the retail industry alone. High cost clothing and limited choice would hit low income Americans the hardest. We believe the price of H.R. 1154 is just too high and that the greater interests of the country as a whole should prevail.

Finally, we cannot forget our international commitments. This bill is a blatant violation of the General Agreement on Tariffs and Trade (GATT) because of the unilateral findings and actions that are required. Also, it expands quotas to the European Community, Canada and other developed countries not now subject to U.S. quotas and who apply no restraints on U.S. exports. The bill's passage will surely result in retaliation. Once again, other industries, especially agriculture, will be asked to bear economic hardship so that textiles and footwear can get further benefits.

Also, we especially should not forget that, largely because of the efforts of the United States, the Uruguay Round was successfully launched last September. Ambassador Clayton Yeutter, the U.S. Trade Representative, has said this bill would throw a "monkey wrench" into the Uruguay Round. In his words, "enactment of the bill would make those negotiations far more difficult and at least delay, if not jeopardize, the positive results we hope to attain" in other areas such as services intellectual property rights, agriculture and dispute settlement.

This bill is gluttony. We are asked to throw logic and economic responsibility out the window, along with our international commitments, and carve a bigger piece of the economic pie for the textile and footwear industries. It would be arrogant to think that there would be no consequences—other Americans besides those in the textile and footware industries would pay dearly and U.S. trading interests abroad also would suffer.

We urge our colleagues to vote "No" on H.R. 1154.

PHIL CRANE.
BILL GRADISON.
BILL FRENZEL.
HANK BROWN.
ROD CHANDLER.
BILL ARCHER.

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